



Fixed-Term Employees in Australia: Incidence and Characteristics

Staff
Research Paper

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Preface

This paper on fixed-term employment is the fourth in a series on non-traditional employment that has drawn on data from the first Australian Bureau of Statistics survey to collect detailed information on employment arrangements—the 1998 Forms of Employment Survey (ABS Cat. no. 6359.0).

Previous papers in the series presented analyses of casual employment (Murtough and Waite 2000a, 2000b) and self-employed contracting (Waite and Will 2001).

The purpose of these papers is to explore aspects of the labour market by analysing data on workforce characteristics. The series makes no policy judgements, but seeks to make available information relevant to the policy debate.

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Abbreviations

ABS	Australian Bureau of Statistics
AWIRS 95	Australian Workplace Industrial Relations Survey 1995
FOES	Forms of Employment Survey
AIRC	Australian Industrial Relations Commission
NESB	Non-English speaking background
SEAS	Survey of Employment Arrangements and Superannuation

Glossary

Casuals (self-identified casuals)	Persons who work in someone else's business under the control of someone in that business, do not receive either paid holiday or sick leave and who see themselves as employed on a casual basis.
Employees with leave entitlements	Persons who work on an employment contract in someone else's business, under the control of someone in that business and who are entitled to paid holiday and sick leave.
Fixed-term employees	Employees with leave entitlements employed for a specified period or for the duration of a specified task.
Labour hire employee	A person engaged either as an ongoing, fixed-term or casual employee of a labour hire agency and on-hired by that agency under a commercial agreement to another business that then controls the conduct of the employee's work.
Ongoing employees	Employees with leave entitlements who are not fixed-term employees.
Owner-managers	Persons who work in their own incorporated or unincorporated enterprise.
Self-employed contractors	Persons who work in their own incorporated or unincorporated enterprise without employees and supply labour services to clients on an explicit or implicit commercial contract basis.

Key points

- *Fixed-term* employees are defined in this paper to be employees with leave entitlements engaged for a specified period or for the duration of a specific task.
 - The term fixed-term *contract* employee is used to denote employees with leave entitlements engaged for a specified period.
 - Employees with leave entitlements who do not work on a fixed-term basis are referred to as *ongoing* employees.
- At least 3.3 per cent of employed persons worked as fixed-term employees in 2000.
- It is not possible, using available data, to determine whether or not fixed-term employment became more common during the 1990s.
- Fixed-term contract employees are a diverse group, and differ markedly from ongoing employees in a number of ways. The major differences include:
 - gender (50 per cent are female, in comparison with 42 per cent of ongoing employees);
 - age (40 per cent are aged less than 30, in comparison with 31 per cent of ongoing employees);
 - State of employment (18 per cent work in New South Wales, in comparison with 35 per cent of ongoing employees);
 - occupation of employment (44 per cent are Professionals, in comparison with 21 per cent of ongoing employees);
 - industry of employment (30 per cent work in Education and 18 per cent in Health and community services, in comparison with 9 and 12 per cent, respectively, of ongoing employees); and
 - sector of employment (56 per cent worked in the public sector, in comparison with 26 per cent of ongoing employees).
- The majority of fixed-term contract employees (72 per cent) expected that their contract would be renewed. This indicates that many fixed-term employees may have a longer tenure than their employment arrangement would suggest.

1 Introduction

Non-traditional employment, or employment that is not full-time and ongoing in someone else's business, has become increasingly common in Australia. This paper presents an analysis of the incidence and characteristics of one form of non-traditional employment—fixed-term employment.

1.1 What is fixed-term employment?

For the purposes of this paper, a fixed-term employee is defined as an employee with leave entitlements engaged for a specified period or for the duration of a specific task.^{1,2} Persons employed as casuals or owner-managers, and who know that their job will cease on a specified date or with the completion of a task, are not classified as fixed-term employees. (Descriptions of employment arrangements referred to in the paper are presented in appendix A.)

Casual and fixed-term employment can differ markedly. 'Unlike casual employees, persons employed on a fixed-term contract have a high degree of certainty of tenure...casual workers can be hired on a needs basis with termination possible at any time and without any requirement for advance notice' (Wooden 2001, p. 66).

Owner-manager and fixed-term employment can also be quite different. For example, fixed-term employees work within an employer's business, and the conduct of their work is managed by someone within that business. Owner-managers work within their own business, and tend to be responsible for the conduct of their work.

1.2 Historical background

Fixed-term employment has a long history in Australia. Prior to the formalisation of the arbitration system in the early 1900s, labour relations were based on the various versions of the Master Servant Acts. Under these Acts, all employees were effectively

¹ Following the approach adopted by the Australian Bureau of Statistics (ABS) in the Forms of Employment Survey (FOES) (ABS Cat. no. 6359.0), employees without leave entitlements are classified either as casuals or other employed persons.

² A fixed-term contract can be set up in conjunction with an Award, Certified Agreement or Australian Workplace Agreement.

engaged for a fixed-term. Employment contracts were of yearly, weekly or daily duration. The Acts contained harsh penalties (hefty fine and up to 3 months hard labour) for employees (or servants) who departed their employment with a particular master before the expiry of their term of service (Creighton and Stewart 2000).

It is difficult, however, to distinguish the extent of fixed-term employment in its current form in this historical labour market. In practice, daily hire was similar to casual employment. Weekly contracts operated as defacto ongoing employment because contracts were regularly renewed on a weekly basis (Anderson 1928; Coghlan 1914). Yearly hire was unusual, and used only in special circumstances, for example, for indentured labour.

As the arbitration and award systems developed, weekly hire was transformed into ongoing employment and became the standard (or most common) working arrangement. Fixed-term employment in its current form was reasonably rare. The question of whether fixed-term employment might have become relatively more common over the 1990s is discussed in chapter 3.

1.3 Why might fixed-term employees be of policy interest?

In addition to the general interest fixed-term employment might hold for policy makers as a form of non-traditional employment, the situation of fixed-term employees within employment law potentially makes them of policy interest.

Under the *Workplace Relations Act 1996 (Commonwealth)* S 30B, fixed-term employees are excluded from the coverage of Commonwealth unfair dismissal legislation.^{3,4} An employer is under no obligation to offer additional employment to a fixed-term employee at the end of their contract period and the end of the contract is the end of the employment relationship (Creighton and Stewart 2000).

Australian courts and tribunals, however, have determined that a contract that expires on a particular date *and* has provision for an employer to terminate that contract with notice, 'is not a contract "for a specified period of time"' (Creighton and Stewart 2000, p. 319). Employees with contracts of this type are seen as having ongoing employment and therefore can seek redress for harsh, unjust or unreasonable

³ Advice to this effect is set out in the AIRC publication 'Guidesheet as to who is able to make an application for relief in respect of termination of employment', from 7 December 2001 (AIRC 2001).

⁴ Some State jurisdictions, however, do not exclude fixed-term employees from the coverage of State legislation (Creighton and Stewart 2000).

termination under the unfair dismissal legislation (*Cooper v Darwin Rugby League Inc.* (1994) 1 IRCR 130; *Anderson v Umbakumba Community Council* (1994) 1 IRCR 457).

A fixed-term employee who is summarily dismissed, or told that his or her services are not required past a date which precedes the end of their contract, is also able to seek redress for harsh, unjust or unreasonable termination under the unfair dismissal legislation, or can sue for breach of contract under common law. Effectively, termination before the end of their contract means that a fixed-term employee's contract is not viewed as being for a specified period or task.⁵

In addition, some courts and tribunals have found that employees engaged on a series of short fixed-term contracts with the same employer have ongoing employment and recourse to unfair dismissal legislation (*D'Lima v Board of Management, Princess Margaret Hospital for Children* (1995) 64 IR 19, *Minister of Health v Ferry* (1996) 65 IR 374). This conclusion has been particularly common in situations where there has been an expectation that the employee will be employed in the future in the same job, or that the job will continue with someone in it.

The decisions by courts and tribunals with respect to fixed-term employees and unfair dismissal mean that employers can not avoid unfair dismissal claims by engaging (and then terminating at will) employees under fixed-term arrangements (although employers might not be aware that that is the case).

The fact that the end of a contract does not constitute a dismissal does mean, however, that fixed-term employees are not entitled to severance payments at the end of their contract, although they could be redundant to their employer's business. Under Australian Awards and Agreements, an ongoing employee who becomes redundant is entitled to notice and a severance payment. This feature of the fixed-term employment arrangement could make it attractive to employers who know (or suspect) that will not have an ongoing need for employees.

The limitation of the award-making powers of the Australian Industrial Relations Commission (AIRC) under the *Workplace Relations Act 1996 (Commonwealth)* to 20 allowable matters also has potential implications for fixed-term employment. Prior to the enactment of the *Act*, the engagement of fixed-term employees was commonly regulated by awards (Forsyth 1999). Under the *Act* the AIRC can not make award provisions that regulate the number or proportion of employees of a particular type engaged by an employer (Creighton and Stewart 2000, p. 136). This

⁵ This information reflects legal advice provided by the Government Solicitors Office on 12 February 2002.

matter can be regulated, however, under certified agreements and may, therefore, have had little impact on the extent of fixed-term employment (Forsyth 1999).

An analysis of the reasons why an employer might engage an employee under a fixed-term arrangement is presented in chapter 2.

1.4 Structure of the paper

In the following chapter, the reasons why employers and employees might choose fixed-term employment are considered (chapter 2). Estimates of fixed-term employment from four different sources are then presented and critically appraised, and the question of whether fixed-term employment might have become relatively more common in Australia during the 1990s is assessed (chapter 3). A comparison of the characteristics of fixed-term and ongoing employees is then presented (chapter 4). A summary concludes the paper (chapter 5).

2 Why might employers and employees choose fixed-term employment?

The factors that might motivate employers and employees to adopt fixed-term employment are explored in this chapter.

2.1 Why might firms engage fixed-term employees?

Employers can choose from a range of employment arrangements when they engage a person to work for them. These arrangements include fixed-term, ongoing, casual, labour hire and self-employed contractor employment. (A description of these arrangements is presented in appendix A.) Why would an employer choose a fixed-term employment arrangement over the available alternatives?

Four potential explanations for an employer's choice of a fixed-term employee are considered in the following discussion.¹

- A person is needed only for a known period of time or task.
- An organisation's regulations favour the engagement of a fixed-term employee.
- The fixed-term arrangement is used to vet potential ongoing employees.
- The employer perceives that the costs of terminating a fixed-term contract employee are lower than those of an ongoing employee.

A person is only needed for a specified period or task

Situations can arise where an employer knows (or suspects) when they engage a person that they will only need them for a limited period of time or for a certain task, or will only be able to pay them for a limited period. For example, a firm may need the skills of a computer programmer for the design of a piece of software, but not require those skills for any other task, and an organisation with funding to

¹ Romeyn (1994) contains a detailed discussion of the factors that might motivate employers to use a fixed-term employment arrangement. Some of this discussion, however, is less relevant to the labour market of 2002.

conduct a three-year research project may be unable to employ research staff beyond that three-year period.

In situations of this type, the employer knows (or suspects) before they engage a person that they will no longer be required after a certain point in the future. Under Australian awards and agreements, an ongoing employee who becomes redundant is entitled to a severance payment.² In contrast, fixed-term employees are not entitled to redundancy payments at the end of their contracts.³ An employer who knows that the person they engage will no longer be required after a certain point may therefore opt to engage them under a fixed-term rather than ongoing employment arrangement to avoid a redundancy payment.^{4,5}

Regulations favour the engagement of a fixed-term employee

Regulations specific to an organisation may influence the employment arrangement that a manager chooses to use in filling a position. This is particularly likely to be the case in public sector organisations. Many conditions of public sector employment, ‘particularly those relating to job description, promotion and discipline, have typically been governed by detailed statutory provision or regulations’ (Creighton and Stewart 2000, p. 231). Three instances of situations in which an organisation’s regulations may lead a manager to choose a fixed-term contract employee are described below.

First, an organisation’s regulations may require a more formal process for the engagement of an ongoing employee than is required for a fixed-term employee. Fixed-term employment may therefore represent a swifter and simpler mechanism for engaging a person. Australian Public Service (APS) legislation provides an example of this situation. While the *Workplace Relations Act 1996* is not

² Certified Agreements and Federal and State awards prescribe severance payments for redundant workers. The level of payment is often based on the general minimum standard set in the *Termination, Change and Redundancy Case 1984* of no payment for service of one year or less and up to 8 weeks’ pay for workers with four or more years of continuous service.

³ An employer might have to pay a fixed-term employee a premium to compensate them for the fact that they can not offer them ongoing employment.

⁴ It is also possible that employers use fixed-term employment when they know a person’s services will not be required after a certain point because they dislike telling people that they no longer have a job (Stone 1998). The psychic costs associated with making someone redundant can be avoided through the use of a fixed-term contract in which the date of completion is known by both parties at the start of the employment relationship.

⁵ An employer might also be concerned that they could face an unfair dismissal claim when the person became redundant, and this might be an added incentive to engage them under a fixed-term contract.

prescriptive on selection processes, the *Public Service Act 1999* and the Public Service Commissioner's Directions (PSCD) 1999 are prescriptive. Where the period or the duration of the task is reasonably estimated to exceed 12 months, access to employment must be offered to all eligible members of the community (PSMPC 1999). The vacancy must be advertised in the Commonwealth Gazette and competitive selection processes must be followed. In contrast, an employee can be engaged on a fixed-term basis for up to 12 months without a vacancy being advertised and following a selection process that involves only an objective assessment of the person's suitability.⁶

While the *Public Service Act 1999* states that fixed-term employment should not be used for positions where the need for the work to be done is ongoing, an APS manager may engage someone on a fixed-term contract as a means of swiftly acquiring their labour and, following a competitive selection process, convert them to ongoing status during the course of that contract.

Second, regulations effectively restrict the ongoing engagement of some people. While the Department of Immigration and Multicultural and Indigenous Affairs urges employers to check that employees have the right to work in Australia (DIMIA 2000), the *Public Service Act 1999*, for example, states that '[a]n Agency Head must not engage, as an APS employee, a person who is not an Australian citizen unless the Agency Head considers it appropriate to do so' (s 22). Furthermore, APS managers are advised that they must check that persons who are not Australian citizens have 'the necessary visa and work rights appropriate to the employment being offered' (PSMPC 1999). While an APS Agency Head can engage a non-Australian citizen as an ongoing employee this raises the potential of subsequent legal action if the person does not gain citizenship. This creates a strong incentive to engage persons who are not citizens on a non-ongoing basis, with no promise of ongoing employment during the period in which they are qualifying for citizenship.⁷

Third, if an organisation's regulations governing the termination of an ongoing employee imply considerable managerial effort, a manager may prefer to engage staff under an alternative employment arrangement. Again, it is likely that regulations of this type are more characteristic of public sector than private sector employment. Public sector employment has been characterised by 'elaborate safeguards against arbitrary treatment of workers' (Creighton and Stewart 2000, p. 330), that have traditionally made termination of a worker a labour intensive process

⁶ Fixed-term employees and casuals are grouped into an employment category termed non-ongoing employees in the *Public Service Act 1999*.

⁷ Presumably all employers would have a similar incentive to engage persons who did not have at least permanent residency on a non-ongoing basis.

for their manager. The Certified Agreements of some universities, for example, specify actions that must be taken by a manager to improve the performance of a staff member before they can be terminated for poor performance.⁸ These actions necessitate considerable managerial effort over a lengthy period of time.

To vet potential ongoing employees

An employer is often not well informed when they engage someone about that person's suitability for the job. In recognition of this, many Australian awards and agreements specify a probationary period for new ongoing employees. Under the *Workplace Relations Act 1996* s 170CC, ongoing employees on probation are excluded from coverage of the *Act's* unfair dismissal provisions, 'provided that the period (a) is three months or less, or if longer is of reasonable length, and (b) has been agreed in advance' (Creighton and Stewart 2000, p. 318). In other words, ongoing employees dismissed while within their probationary period are precluded from seeking redress for unfair dismissal, provided the probationary period was of reasonable length, and agreed upon at the start of the employment relationship.

An employer may use a short fixed-term employment arrangement in preference to ongoing employment and probation to vet an employee because of a concern that the period they require to vet someone would not be considered reasonable by the courts. It is also possible that an employer may find the experience of telling a probationary employee they are unsuitable to be unpleasant. They may therefore use fixed-term employment as an alternative initial employment arrangement.⁹

Perceptions about firing costs

The arguments presented above are based on an assumption that an employer knows their legal obligations and entitlements and makes decisions based on this knowledge. It is possible that this is not always the case, and that employers sometimes opt for fixed-term employment because they perceive it to be the best option. For example, an employer may believe that they can terminate a fixed-term employee at any point during their contract without the employee being able to take legal action for unfair dismissal. The employer may therefore perceive that fixed-term contract employees are less costly than ongoing employees to terminate.

⁸ See, for example, University of New South Wales (Academic Staff) Enterprise Agreement 2000 (at www.osiris.gov.au on January 25 2002).

⁹ Survey evidence indicates that evaluating employees and making decisions that seriously affect their lives are among the top management stressors, and are activities that managers may prefer to avoid (Stone 1998).

It is not possible to determine the extent to which employer perceptions of this type influence decisions on fixed-term employment.

Summary

Throughout the economy as a whole, it is likely that fixed-term employment is sometimes preferred by an employer over alternative arrangements when they know (or suspect) that they will not need a person on an ongoing basis. Legislation specific to public sector employment creates a further set of explanations for the use of fixed-term employment in that sector. Finally, employers may use fixed-term employment instead of a probationary period to vet a potential ongoing employee. Given the alternative of probation exists it is suspected that the final reason is not an important motivation for use of fixed-term employment.

2.2 Why might people prefer to work on a fixed-term basis?

Individual employees often have little scope to negotiate the employment arrangement under which they are engaged. It tends to be the case that an employer will make an offer of employment of a certain type, for example, ongoing or casual. A potential employee has either to accept the arrangement put to them or look for a position with an arrangement that they prefer. It is possible that many people working on a fixed-term basis do so because the job they were offered was set up on that basis.

In some instances, however, people can negotiate the employment arrangement under which they are engaged. Why might someone with the capacity to choose opt for a fixed-term arrangement? It is difficult to provide a convincing answer to this question.

One possible reason is that the person believes that the fixed-term contract provides certainty of tenure for the length of the contract. A person who was afraid that the employer might terminate them at some point prior to the end of the contract if they were engaged on an ongoing basis, might opt for the fixed-term contract.

It might also be argued that a person who enjoys change may prefer fixed-term to ongoing employment because the contract would increase the likelihood that they will change jobs. For this argument to hold, however, it would also have to be argued that this person faces a barrier to leaving ongoing employment that is not present with fixed-term employment, because their taste for change could easily be accommodated within a series of ongoing jobs. It is possible that a persons with a taste for change perceives the psychic costs of terminating an ongoing relationship

(for example, a potentially negative reaction from their employer and a feeling of letting their colleagues down) to be higher than those associated with the end of a fixed-term contract.

Another possibility is that people see benefit from the skills that accrue from moving between employers, but recognise a potential for inertia if they are employed on an ongoing basis. They may therefore opt for a fixed-term arrangement as a means of pre-committing themselves to a change of employer at a defined date in the future.

Another possibility is that a person who believes a potential employer may see them as a risky hire may volunteer to take a fixed-term contract in preference to ongoing employment in the belief that the employer may be more willing to engage them on this basis.¹⁰

The reasons outlined in this section do not provide a strong basis for the motivations of employees in choosing fixed-term employment. This is a topic that future theoretical and empirical research could explore in more depth.

¹⁰ Anecdotal evidence suggests that this occurs.

3 The incidence of fixed-term employment in Australia

Relatively few data collections include information on fixed-term employment in Australia. Relevant information is not collected in the standard ABS labour force surveys. Cross-section data are available from four sources, including a 1995 survey of workplaces (Brosnan and Walsh 1996, 1998), the Australian Workplace Industrial Relations Survey 1995, the 1998 Forms of Employment Survey (ABS Cat. no. 6359.0) and the 2000 Survey of Employee Earnings and Superannuation (ABS Cat. no. 6361.0). Some data for specific sectors are available.

Estimates of the incidence of fixed-term employment derived from these data are critically appraised in this chapter and an analysis of whether or not fixed-term employment might have become relatively more common in Australia over the 1990s is presented.

3.1 Cross-section evidence on fixed-term employment

Brosnan and Walsh

Brosnan and Walsh (1996, 1998) report estimates of the incidence of different types of employment from a survey that they organised of Australian workplaces in 1995. Although the survey had a useable response rate of only 34 per cent, the responses can be weighted to generate estimates that are representative of the population of Australian workplaces that employed staff (Brosnan and Walsh 1996, 1998).¹

Survey respondents (employers) were presented with description of different employee types and asked to identify the proportions of their workforces that fitted those descriptions. A category labelled fixed-term employees was defined as ‘employees on a contract with a specified expiry date or employed to complete a specific project’ (Brosnan and Walsh 1998, p. 29). At first glance this classification is close to the definition of a fixed-term employee adopted in this paper. There are a

¹ Note, this means that owner-managers without employees are excluded from Brosnan and Walsh’s (1996, 1998) estimates of employed persons. In 1998, they represented 12.2 per cent of employed persons (ABS Cat. no. 6359.0).

number of reasons, however, why the Brosnan and Walsh data may not measure this concept.

First, it is possible that employers had difficulty in categorising employees according to the employment types described in the survey questionnaire, and that this impacted on the measure of fixed-term employment. Among the employee type options were the categories of temporary (defined as ‘employees taken on for a relatively short but unspecified period’) and occasional (defined as ‘employees hired on a periodic basis as need arises’). These definitions allow scope for considerable overlap between the fixed-term, temporary and occasional categories. For example, someone engaged to complete a short project of unknown duration could be viewed as being engaged ‘to complete a specific project’, or ‘for a relatively short but unspecified period’, or ‘on a periodic basis as need arises’.

Second, it is possible that employers classified employees without leave entitlements (classified as casuals in standard ABS catalogues), but with a known expiry date, as fixed-term employees.

Third, it is possible that some survey respondents did not know the employment status of some members of their workforce. The accuracy of the employment status estimates is therefore open to question.

Brosnan and Walsh (1998) estimated that fixed-term employees accounted for 2.3 per cent of employed persons at Australian workplaces with staff in 1995.²

The Australian Workplace Industrial Relations Survey 1995 (AWIRS 95)

AWIRS 95 collected data from 2001 Australian workplaces and 19 155 employees of those workplaces. The survey results can be weighted to generate estimates that are representative of the population of Australian workplaces with 20 or more employees operating in sectors other than Agriculture, forestry and fisheries and Defence.

Respondents to the AWIRS 95 Employee Survey were asked ‘Are you on a fixed term contract in this job? That is, a contract that ends on a particular date’ (DWRSB 1997). The information on fixed-term employment elicited using this question is inconsistent with fixed-term employment as defined in this paper because

² This estimate would translate into a smaller share of all employed persons if workplaces without staff were taken into account. Using unpublished data from the FOES (ABS Cat. no. 6359.0) on the share of employed persons working as owner-managers without employees, the authors estimated that fixed-term employees (as defined and measured by Brosnan and Walsh (1998)) accounted for about 2 per cent of all employed persons in 1995.

employees engaged for the duration of a specified task but with no particular finish date will not be identified as fixed-term employees.

Hall, Harley and Whitehouse (1998), Hall and Harley (2000) and Wooden (1998) used AWIRS 95 to analyse fixed-term employment.³ Hall et al. (1998) concluded that fixed-term employees constituted 8.6 per cent of respondents to the Employee Survey. Wooden (1998) reported that they represented 8.8 per cent of the population of employees of workplaces with 20 or more employees operating in sectors other than Agriculture, forestry and fishing and Defence.

These estimates include employees without leave entitlements (classified as casuals in standard ABS catalogues) who had a specified date of completion. Excluding casuals, employees with leave entitlements working on a fixed-term contract constituted around 6.8 per cent of employees in 1995.⁴

The Forms of Employment Survey (FOES)

The August 1998 FOES (ABS Cat. no. 6359.0) represented the ABS's first collection of relatively detailed information on employment arrangements.⁵ It was collected as a supplement to the Labour Force Survey (LFS), and the data were therefore collected using the Any Responsible Adult (ARA) methodology. This methodology 'involves obtaining information about all the persons in a selected household who are in scope of the survey, from the first responsible adult with whom the interviewer makes contact (rather than speaking with each individual personally)' (ABS Cat. no. 6102.0, p. 152). The August 1998 LFS collected data on around 55 000 persons from 28 000 households. Additional information was collected for persons who were employed and aged between 15 and 64 (about 28 500 people), and this constituted the FOES.⁶ These data can be weighted to generate estimates that are representative of the population of employed persons.

Information on fixed-term contract status was collected for persons identified as employees and as having a set finishing date within five years of the survey.

³ Hall and Harley (2000) analyse the location and characteristics of fixed-term and casual female workers and do not present estimates of the share of fixed-term employees in total employment.

⁴ This estimate was derived from the AWIRS Employee Survey (DWRSB 1997). The denominator in the calculation was all employees at Australian workplaces with 20 or more employees and operating in sectors other than Agriculture, forestry and fishing and Defence as measured from the Employee Survey.

⁵ A second FOES was collected in November 2001.

⁶ Contributing family workers were excluded from FOES. They accounted for only 1 per cent of total employment (ABS Cat. no. 6203.0) and their exclusion therefore has little impact on the analysis of fixed-term employment.

Information on employment status that identified employees with leave entitlements was also collected. The data indicate that, in August 1998, 2.2 per cent of employed persons (187 800 persons), were employees with leave entitlements employed on a fixed-term contract (ABS Cat. no. 6359.0).

This estimate, however, understates fixed-term employment because it excludes employees with leave entitlements engaged for the duration of a specific task. These employees are not explicitly identified in FOES, but data that permit a rough estimate of the number of people working in this way are available.

Information on the main reason for finishing (or expecting to finish) work was gathered for employees who did not have a set finishing date and who did not expect to be working for their employer 12 months from the survey date. The completion of current work and the seasonal or temporary nature of a job were among the possible reasons presented to survey respondents. These options would probably have been chosen for employees engaged for the duration of a task that they expected to complete within 12 months of the survey date.

The data indicate that only 3 700 employees with leave entitlements anticipated that they would cease work in the 12 months following the survey date because their job was seasonal or temporary, and a further 5 400 anticipated that they would leave their job on the completion of their current work. Together, these figures represent only 0.1 per cent of employed persons. This suggests that very few employed persons were engaged for the duration of a specific task.

The FOES data have a number of weaknesses as a source of information on the incidence of fixed-term employment.

First, the fact that the data were collected using the ARA methodology places a question mark over their accuracy. It is possible that the survey respondent was not well informed about the employment arrangements of other members of their household, but answered as best as they were able.⁷

Second, information on fixed-term contract status was only collected for persons with a set completion date. It is possible that persons who anticipated a renewal of their contract were not recorded as having a set completion date. The estimate of fixed-term contract employment is therefore potentially understated. However, 72 per cent of persons identified as being on a fixed-term contract were also recorded as expecting that that contract would be renewed. This suggests that this problem might not impact markedly on FOES estimates of fixed-term employment.

⁷ Where an ARA is unable to supply all details for another person in their household a personal interview was conducted. It is not known how often this occurred.

Third, persons who expected that they would be with their employer 12 months after the survey date, either because the task for which they were employed would not be completed or because they expected a contract for another task from that employer, can not be identified. To the extent that this was the case, the above estimate understates employed persons engaged for the duration of a specific task.

Fourth, it is possible that the estimate of persons engaged for a specific task (0.1 per cent of employed persons) includes persons who were not engaged for a fixed-term. To the extent that this was the case, the estimate of employed persons engaged for the duration of a specific task is overstated.

Finally, it is possible that some fixed-term employees engaged for a specific task are excluded from the above estimate because their reason for expecting a change of employment within the 12 months following the survey was recorded as due to something other than completion of their job or the seasonality of the job. For example, they may have been coded as 'changing jobs/seeking other employment'. To the extent that this was the case, the estimate of employed persons engaged for the duration of a specific task is understated.

The Survey of Employment Arrangements and Superannuation (SEAS)

The 2000 SEAS (ABS Cat. no. 6361.0) (collected primarily between April and June 2000) represented the ABS's second collection of relatively detailed information on employment arrangements.⁸ Unlike FOES, the SEAS data were collected from individuals in a household within the scope of the survey by personal interview. Data were collected on around 25 000 employed persons aged 15 to 69 from 14 000 households.⁹ These data can be weighted to generate estimates that are representative of the population of employed persons.

An identical sequence of questions was used in SEAS and FOES to identify persons working on a fixed-term contract, and the questions were worded similarly except that the SEAS wording reflected the personal interview methodology and the FOES wording the fact that the respondent was potentially providing information for another person.¹⁰

⁸ A second SEAS is planned for 2005.

⁹ Contributing family workers were excluded from SEAS, as they were from FOES.

¹⁰ The fact that the sequence of questions was similar between FOES and SEAS means that, like the FOES, the SEAS estimate is potentially understated because persons who expected that their contract would be renewed, and who therefore felt that they did not have a set completion date, were not asked if they were on a fixed-term contract.

As of January 2002, unit record data from SEAS were not available, but data on fixed-term contract employment are published in the SEAS catalogue (ABS Cat. no. 6361.0). These data indicate that around 286 000 employees with leave entitlements, or 3.3 per cent of employed persons, were employed on a fixed-term contract in 2000.

Note, the FOES and SEAS employment status categories were defined slightly differently, and this represents one reason why the SEAS estimate is so much higher than the estimate from FOES.¹¹ When this difference is taken into account, the SEAS data indicate that in 2000, around 279 600 employees with leave entitlements, or 3.2 per cent of employed persons, worked on a fixed-term contract. It is not possible to derive an estimate of employees with leave entitlements employed for the duration of a specific task from the published SEAS data.

Differences in survey methods between the FOES and SEAS prevent users from drawing conclusions on the growth of fixed-term employment in the 20 months between the surveys.

Apart from slight differences in:

- the age of persons for whom information was collected (15 to 64 in FOES and 15 to 69 in SEAS);
- collection method (ARA in FOES and individual interview in SEAS); and
- sample size (about 28 500 in FOES and 25 000 in SEAS),

the surveys differed slightly in scope. Persons in special dwellings (for example, prisons and motels) were included in FOES but excluded from SEAS.

With the exception of collection methodology it is expected that the differences between the surveys would have had little impact on the estimates derived from each survey. It is suspected that the ARA methodology used for FOES delivered less accurate information on employment arrangements than the individual interview approach used for SEAS. The SEAS estimates are therefore viewed as being a more accurate indication of the incidence of fixed-term contract

¹¹ In FOES, only employees entitled to both holiday and sick leave were classified as ‘employees with leave entitlements’. Employees entitled to sick leave or holiday leave but not both, were classified either as ‘self-identified casuals’ or ‘other employed persons’. In SEAS, employees with either one or both of these leave types and who were not self-identified casuals were classified as ‘employees with *some* leave entitlements’. This SEAS category was further decomposed into two groups—not on a fixed-term contract and on a fixed-term contract.

The SEAS category of employees with leave entitlements working on a fixed-term contract therefore includes 6 400 persons who would have been classified as ‘other employed persons’ in the FOES (ABS Cat. no. 6361.0, table A.2, p. 50).

employment in Australia. Unfortunately, it is not possible to determine the extent of inaccuracy in the estimate from FOES, and a conclusion on fixed-term contract employment growth can not be drawn from these two data sources.

Summary

While fixed-term employees are defined in this paper to be employees with leave entitlements engaged for a specified period or for the duration of a specific task, Australian data do permit accurate identification of this group of employed persons. Employees with leave entitlements engaged for a specified period can be identified through information on fixed-term contract employment, but accurate data on persons engaged for the duration of a specific task are not available. Information from FOES, however, supports a conclusion that the latter group constitutes only a very small proportion of employed persons.

According to the SEAS (the best estimate of fixed-term contract employment), 3.3 per cent of all employed persons in 2000 were employed on a fixed-term contract. Unfortunately, differences in coverage and survey design mean that the estimates from the different data sources are not comparable. It is therefore not possible to draw a conclusion on whether fixed-term contract employment changed as a share of employment in Australia over the period covered by these data sources (1995 to 2000).

3.2 Evidence from specific sectors

Some data on fixed-term employment are available for public sector employment. On 30 June 2001, non-ongoing employment (defined as persons engaged for either a specific term or a specific task, or for duties that were irregular or intermittent) accounted for 9 per cent of employment in the Australian Public Service (APS) (PSMPC 2001, p. 20). This represented a fall in the incidence of non-ongoing employment from 13.7 per cent of APS employment in 1993. These data suggest that fixed-term employment fell within the APS during the 1990s, although persons more appropriately considered to be casuals are included in the measure of non-ongoing employment.

The evidence on fixed-term employment in Australian State governments reveals a mixed picture. Fixed-term employees (defined as persons appointed for a specified term or for the duration of a specified task) accounted for about 22 per cent of employment in the Tasmanian State Service at 30 June 2001 (SSC 2001, figure 11), down from almost 30 per cent at 30 June 1996 (CPE 1998). In South Australia, fixed-term employment rose as a share of public sector employment from 14.7 per

cent in June 1996 to 23.3 per cent in June 2000 (OCPE 2000). In contrast, only 6 per cent of staff in the New South Wales public sector worked on a fixed-term or contract basis at June 1999.

In higher education (universities), fixed-term employment (defined as ‘limited term employment’) rose from around 30 per cent of employment in 1989, to about 40 per cent in 1998 and fell to 30 per cent in 2000 (DETYA 2001).

3.3 Might fixed-term employment have become more common?

Because the available data do not permit a conclusion on whether or not fixed-term employment actually increased as a share of total employment in Australia over the 1990s, the question of whether or not fixed-term employment *might* have increased is considered in this section.

It was suggested in chapter 2 that an employer might opt for a fixed-term employment arrangement over alternative arrangements because:

- they know (or suspect) that they only need a person for a limited term;
- regulations favour the engagement of a fixed-term employee;
- they use fixed-term employment to vet potential ongoing employees; or
- they perceive that fixed-term employees are cheaper to terminate than ongoing employees.

Might changes in the Australian economy have meant that employers had cause to choose fixed-term employment more frequently over the 1990s?

An increase in one-off jobs or projects, and an increase in the extent to which production was discontinuous or unpredictable, would be consistent with an increase in jobs which employers knew, or suspected, would be of limited term. There is no broad-based empirical evidence that any of these phenomena occurred.

Legislative changes introduced with the *Workplace Relations Act 1999* may, however, have given employers greater freedom to engage fixed-term employees for limited-term positions. As noted in chapter 1, the number or proportion of employees engaged on a fixed-term basis used to be limited under some awards. The capacity of the AIRC to regulate this issue was removed under the *Act*. The extent to which this change might have led to an increase in fixed-term employment for positions of limited term is unknown. The fact, however, that regulations of this type can be included in certified agreements raises the possibility that the change has had little real impact.

Organisation specific, as opposed to economy wide, regulations favouring the engagement of fixed-term employees were concluded in chapter 2 to be a feature of the public sector. From the early 1980s, policy changes in the public sector targeted increased flexibility with the goal of improving productivity and responsiveness to customer demands (Clark and Corbett 1999; Junor and Wallace 1999; Stanton 1999). Fixed-term staff have been viewed ‘as a means of achieving increased flexibility for employers and employees in a time of constant change’ (OCPE 2000, p. 16). Public sector regulations have presumably meant that flexibility was more difficult to achieve with ongoing staff.

While the empirical evidence suggests that fixed-term employment increased as a share of public sector employment in some States and in higher education during the 1990s, there is evidence that its use is being discouraged. In Tasmania and Queensland for example, guidelines with the effect of limiting the use of fixed-term employees were issued to agencies in 2000. Within higher education, academics and unions successfully campaigned for changes in the *Higher Education (Non-continuing Staff) Interim Award* in 1995 that restricted the appointment of fixed-term staff to coverage of ongoing staff absences and limited contract renewal.

There is no evidence that employers’ incentives to use fixed-term employment to vet potential ongoing employees changed during the 1990s.

The incorporation of unfair dismissal principles in federal legislation with the *Industrial Relations Reform Act (1993)* may have led to a perception among employers that they could terminate a fixed-term employee without that person making a claim for unfair dismissal. This may have impacted on the use of fixed-term employment arrangements. As discussed in chapter 1, however, the legal reality is that persons engaged on a fixed-term contract can seek redress for harsh, unjust or unreasonable termination under many circumstances. It is not possible to draw a conclusion on the extent to which a change in employer perceptions about the cost of terminating fixed-term employees might have impacted on their use.

It is also not possible to draw any conclusion on whether or not employee preferences might have changed in a way that is consistent with an increase in the supply of persons wishing to work on a fixed-term contract basis.

In summary, while it is likely that the employment practices of public sector organisations changed in a way consistent with a relative increase (and then decrease) in the demand for fixed-term employment during the 1990s, no conclusion on this issue can be drawn for the private sector. The extent to which the supply of persons willing to work on a fixed-term basis changed is also unknown. Future research could take up this question.

4 Characteristics of fixed-term contract employees

In this chapter the demographic and employment characteristics of fixed-term contract employees are compared with those of ongoing employees.¹ The estimates are derived from unit record data from the 1998 Forms of Employment survey (ABS Cat. no. 6359.0). As discussed in chapter 3, the FOES has some weaknesses as a source of data on fixed-term employment. It has the strength, however, that it contains information on many demographic and employment characteristics of fixed-term contract employees. It is assumed that the weaknesses of the FOES did not lead to the exclusion of fixed-term contract employees of a distinct type, and that the characteristics information can be read as representative of all fixed-term contract employees.

The analysis begins with a description of the characteristics of fixed-term contract and ongoing employees that considers each characteristic in isolation of the others. This approach has the limitation that it does not take associations between characteristics into account. For example, the data may reveal that fixed-term contract employees are more likely than ongoing employees to be young and also less likely to be married. It may be concluded that fixed-term contract employment is a disincentive to marriage. If the relative youth of fixed-term contract employees is taken into account, however, the relationship between age and fixed-term contract employment status may disappear. Multivariate analysis—a binomial probit—is used to overcome this problem. The probit model is used to determine the impact of each characteristic on the probability of an employee working on a fixed-term basis, taking other characteristics into account.

A discussion of evidence on the difference in earnings between fixed-term contract and ongoing employees concludes the chapter.

¹ Unfortunately employees with leave entitlements engaged for a specific task are classified in the ongoing employee group. As discussed in chapter 3, it is probable that this type of fixed-term employment is rare. It is therefore unlikely that the estimates are affected by this classification.

4.1 Characteristics of fixed-term and ongoing employees

Fixed-term contract employees were slightly more likely to be female, and to be younger, than ongoing employees in August 1998 (table 4.1).² Almost 40 per cent of fixed-term contract employees were aged less than 30 in comparison with 31 per cent of ongoing employees. Wooden (1998) reports similar results for 1995.³

Table 4.1 **Percentage distributions of ongoing and fixed-term contract employees by demographic characteristics, August 1998**

	<i>Employees with leave entitlements</i>	
	<i>Ongoing</i>	<i>Fixed-term contract</i>
Gender and age characteristics	%	%
Male	57.7	50.5
Female	42.3	49.5
Aged		
15–19	3.5	9.5
20–29	27.6	30.2
30–39	26.6	26.5
40–49	25.1	21.6
50–59	15.0	10.9
60 and over	2.3	1.3
Other demographic characteristics		
Married	62.2	52.8
With dependents	37.5	33.3
English speaking background migrant	11.1	12.8
Non-English speaking background migrant	13.7	8.8
State		
New South Wales	34.8	18.4
Victoria	26.1	29.8
Queensland	17.2	18.0
South Australia	7.2	9.4
Western Australia	9.7	15.4
Tasmania	2.0	3.5
Northern Territory	0.9	2.4
Australian Capital Territory	2.0	3.3
Worked outside State capital city	32.1	35.2

Source: Productivity Commission estimates derived from unpublished data from ABS Cat. no. 6359.0.

² For each characteristic, the percentages of all employees with leave entitlements working on a fixed-term or ongoing basis are presented in appendix A.

³ Wooden's (1998) estimates were generated from AWIRS 95. Because AWIRS 95 only covers employees at workplaces with 20 or more employees comparisons between estimates generated using FOES and AWIRS 95 should be made with caution.

Fixed-term contract employees were less likely to be married than were ongoing employees (table 4.1).⁴ This may reflect the fact that fixed-term contract employees tend to be younger than ongoing employees. It is also possible, however, that it reflects something about the impact of fixed-term status on decisions about marriage.

Only 18.4 per cent of fixed-term contract employees were located in New South Wales compared with 34.8 per cent of ongoing employees who lived in that state.⁵ These data might reflect differences between State governments in the promotion of fixed-term contract employment. For example, the New South Wales government did not advocate this form of employment as strongly as some other State governments during the 1990s.

The occupational distributions of fixed-term contract and ongoing employees differ markedly. Fixed-term contract employees were more than twice as likely as ongoing employees to work as Professionals in August 1998 (table 4.2). The distribution of the two employee types over other high-skilled occupations was similar.⁶ In contrast, only 24 per cent of fixed-term contract employees worked in lower-skilled occupations, compared with 45 per cent of ongoing employees. Wooden (1998) reported a similar, although less pronounced, result from AWIRS 1995.

It is also noteworthy that the majority of fixed-term contract employees (59.5 per cent) worked in one of three industries—Government administration and defence (10.7 per cent), Education (30.4 per cent) and Health and community services (18.4 per cent). This was more than double the percentage of ongoing employees in these industries (25.8 per cent).

The concentration of fixed-term contract employment by industry is reflected in the fact that fixed-term employment was considerably more prevalent in the public sector—7.7 per cent of public sector employees with leave entitlements worked on a fixed-term contract basis in August 1998, in contrast with 2.3 per cent of private sector employees with leave entitlements (table B.1, appendix B). These data perhaps reflect the impact of public sector regulations on the employment arrangements adopted in this sector.

⁴ The difference in the percentages of fixed-term contract and ongoing employees with dependants is not statistically significant from zero at the 5 per cent level.

⁵ The differences for other States and Territories were not statistically significant from zero at the 5 per cent level.

⁶ Higher-skilled occupations include Managers and administrators, Professionals, Associate professionals, Tradespersons and related workers and Advanced clerical and service workers. The remaining occupational categories are classified as lower skilled.

Table 4.2 Percentage distributions of ongoing and fixed-term contract employees by occupation and industry, August 1998

	<i>Employees with leave entitlements</i>	
	<i>Ongoing</i>	<i>Fixed-term contract</i>
Occupation	%	%
Managers and administrators	5.3	5.6
Professionals	20.8	44.2
Associate professionals	10.7	11.5
Tradespersons and related workers	13.7	10.0
Advanced clerical and service workers	4.6	4.3
Intermed. clerical, sales and services	19.3	15.7
Intermed. production and transport	10.1	3.0
Elementary clerical, sales and services	7.7	2.8
Labourers and related workers	7.9	2.9
Industry		
Agriculture, forestry and fishing	1.1	1.2
Mining	1.3	1.3
Manufacturing	17.1	5.4
Electricity, gas and water	1.3	0.8
Construction	4.5	2.9
Wholesale trade	7.4	2.2
Retail trade	10.8	2.2
Accommodation, cafes and restaurants	2.8	3.0
Transport and storage	4.8	2.4
Communication services	2.4	1.5
Finance and insurance	5.8	1.5
Property and business services	9.4	8.4
Government admin. and defence	5.8	10.7
Education	8.5	30.4
Health and community services	11.5	18.4
Cultural and recreational services	1.7	3.1
Personal and other services	3.7	4.5
Worked in the public sector	26.2	55.6

Source: Productivity Commission estimates derived from unpublished data from ABS Cat. no. 6359.0.

Wooden (1998) found that fixed-term employees were more prevalent in non-commercial workplaces—both public and private sector. Wooden (1998, p. 33) suggested that the uncertain economic situation of non-profit organisations prompted them to use fixed-term contract employment. Unfortunately the FOES did not collect information on the commercial status of employed persons' employers.

Over 80 per cent of fixed-term contract employees had less than three years' tenure, in contrast with 36 per cent of ongoing employees (table 4.3). This reflects the relatively short-term nature of many contracts. The fact that almost 6.3 per cent of fixed-term contract employees had over 10 years of tenure may be an indication of

contract renewal. A high proportion (72.2 per cent) of fixed-term contract employees expected to have their contract renewed. This is an interesting result given that contract renewal has been a source of contention for unions and employers.⁷

Table 4.3 Percentage distributions of ongoing and fixed-term contract employees by employment characteristics, August 1998

	<i>Employees with leave entitlements</i>	
	<i>Ongoing</i>	<i>Fixed-term contract</i>
Weekly earnings in main job (dollars)^a	%	%
less than 100	0.6	0.2
100–199	2.0	3.9
200–399	13.1	17.7
400–599	33.1	21.4
600–799	23.8	22.5
800–999	14.3	11.8
1000–1199	6.4	7.9
more than 1200	6.8	10.1
Tenure with employer		
Less than 1 year	14.7	41.9
1–2 years	21.2	27.3
3–4 years	15.9	14.3
5–6 years	9.0	6.0
7–8 years	7.4	3.5
8–9 years	8.2	2.5
10 years or more	27.6	6.3
Hours worked in main job		
Less than 20	10.2	9.1
20–34	16.1	19.9
35–39	21.5	19.6
40	19.8	13.3
41–49	17.0	19.2
50–59	10.0	10.1
60 and over	5.4	8.9
Other employment characteristics		
Trade union member	36.4	23.5
Full-time (in all jobs)	87.9	85.5
Satisfied with hours worked	67.5	59.1
Expects contract to be renewed	n.a.	72.2

^a Percentages do not sum to 100 because data were not provided for a small proportion of employees.

Source: Productivity Commission estimates derived from unpublished data from ABS Cat. no. 6359.0.

⁷ This indicates that many fixed-term employees may have a longer tenure than their employment arrangement would suggest. A similar conclusion has been reported for casual employees (Murtough and Waite 2000b).

Fixed-term contract employees were markedly less likely to be union members than were ongoing employees (table 4.3).

While the proportions of fixed-term contract and ongoing employees working on a full-time basis were very similar, fixed-term contract employees were less satisfied with their working hours (table 4.3).⁸ Just over two-thirds (67.5 per cent) of ongoing employees desired no change in their working hours in contrast with 59.1 per cent of fixed-term contract employees.

Summary

The descriptive analysis reveals that, *relative to ongoing employees with leave entitlements*, in August 1998 fixed-term contract employees were more likely to be:

- female;
- aged less than 30;
- unmarried;
- employed in States other than New South Wales;
- employed in higher-skilled occupations, especially as Professionals;
- working in Education, Government administration and defence or Health and community services;
- working in the public sector;
- of less than three years' tenure with their current employer;
- dissatisfied with their working hours; and
- less likely to be a union member.

4.2 Results from a multivariate analysis

The preceding analysis of the characteristics of fixed-term contract and ongoing employees considered each characteristic in turn. Results from an analysis of the impact of different characteristics on the likelihood of fixed-term contract employment, taking other characteristics into account, are presented in appendix C.

The results, in the main, are consistent with the preceding analysis. For example, other characteristics equal, fixed-term contract employees were more likely than

⁸ The differences in the percentages of fixed-term contract and ongoing employees working different hours are not statistically significant from zero at the 5 per cent level.

ongoing employees in August 1998 to be relatively young and unmarried. One finding, however, is reversed. When other characteristics are taken into account, fixed-term contract employees were more likely than ongoing employees to be male. The results also indicate that fixed-term contract employees were more likely to be immigrants from an English speaking country.

4.3 Earnings of fixed-term employees

The interesting question of whether or not fixed-term employees' earnings differ from those of ongoing employees, other characteristics equal, can not be satisfactorily studied using FOES.

Wooden and Bora (1999) present evidence on this issue from AWIRS 95. After taking individual and workplace characteristics into account, they found that fixed-term employees earned about 4 per cent in 1995 less than other employees.

Waite (2002) used AWIRS 95 to look more closely at this earnings differential. He analysed whether or not all fixed-term employees, or just those with certain sets of characteristics, earned less than other employees. Waite (2002) concluded that the only characteristic that contributed to the earnings differential was industry of employment. He concluded that, other things equal, fixed-term employees working as Tradespersons earned less than ongoing employees, as did fixed-term employees in Wholesale and retail trade, and two industry groups (Accommodation, Cultural and recreational services, Personal services) and (Communications, Finance, Property and business services).⁹

⁹ The number of observations on people working in some industries was too small to include those industries individually in the analysis. Groups were created to address this problem.

5 Conclusions

The analysis presented in this paper covers:

- employer and employee motivations for choosing fixed-term employment;
- a critical appraisal of estimates of fixed-term employment in Australia;
- the question of whether or not fixed-term employment might have become relatively more common in Australia during the 1990s; and
- a comparison of the characteristics of ongoing and fixed-term employees.

It is likely that Australian businesses sometimes opt to hire a person on a fixed-term employment arrangement when they know (or suspect) that they will not need that person on an ongoing basis. Employers may also use fixed-term employment to vet potential ongoing employees. The potential to instead use a probationary period places a question mark over the extent to which the chance to vet an employee might influence an employer's choice of a fixed-term arrangement. Legislation governing hiring, selection and termination in the public sector creates a further set of explanations for the use of fixed-term employment in that sector.

Throughout this analysis it was assumed employers knew, and abided by, their legal obligations and entitlements. It is possible that this is not always the case, and that employers sometimes opt for fixed-term employment because they believe, rather than know, it to be the preferable option.

The factors that might motivate an employee's choice of fixed-term employment were not easily identified. This is a topic that future research could address.

Australian data do not permit accurate identification of fixed-term employees as defined in this paper. Persons engaged for a specific duration (fixed-term contract employees) can be identified, but those engaged for the duration of a specific task can not. The data also have a range of weaknesses that impact on the accuracy of the fixed-term employment estimates that are obtained from them.

The most accurate data on fixed-term contract employment were collected in the 2000 Survey of Employment Arrangements and Superannuation (SEAS) (ABS Cat. no. 6361.0). According to the SEAS, around 286 000 employees with leave entitlements, or 3.3 per cent of all employed persons, were employed on a fixed-term contract in 2000.

While estimates of fixed-term employment are available from four surveys, differences in the coverage and design of these surveys means that the estimates are not comparable. It is therefore not possible to draw a conclusion from the data on whether fixed-term employment changed as a share of employment in Australia over the period covered by these surveys (1995 to 2000).

Because the available data did not permit a conclusion on whether or not fixed-term employment actually increased as a share of total employment in Australia over the 1990s, the question of whether or not fixed-term employment *might* have increased was explored. While it is likely that the employment practices of public sector organisations changed in a way consistent with a relative increase (and then decrease) in fixed-term employment during the 1990s, no conclusion can be drawn for the private sector. Future research could take up this question.

Data from the 1998 Forms of Employment Survey (ABS Cat. no. 6359.0) were used in a comparison of the characteristics of fixed-term contract and ongoing employees.¹

The results indicate that, other characteristics equal, fixed-term contract employees were more likely than ongoing employees in August 1998 to be:

- male;
- relatively young;
- employed in States other than New South Wales;
- unmarried;
- an immigrant who was born in an English speaking country;
- employed in a higher-skilled occupation;
- employed in industries other than Manufacturing and Wholesale and retail trade, especially Education, Government administration and defence and Health and community services;
- working in the public sector; and
- were less likely to be a trade union member.

¹ While it would have been preferable to use the SEAS data for this analysis, the unit record data that were required were not publicly available for the SEAS.

A Employment arrangements

Different terms and conditions attach to different jobs in Australia. Sets of terms and conditions can be identified, and used to delineate different employment arrangements or forms of employment. Jobs can then be classified according to these arrangements.

Different classification schemes tend to be adopted for the analysis of different issues. The primary difference between these schemes lies in the degree of employment arrangement detail that they reflect, and the way in which detailed categories are grouped. This can be illustrated through reference to the classification scheme adopted in SEAS (ABS Cat. no 6361.0) and presented in table A.1.

The most detailed classification adopted in the SEAS publication is reflected in the categories labelled from 1 to 8 in table A.1. Some data, however, are only presented for employees, defined as categories 1 to 4. Other data are presented only for owner-managers, defined as categories 5 through 8, and some data are presented only for owner-managers working on a contract basis—categories 6 and 8.

Table A.1 Employment types used in the SEAS catalogue

Employees

- With some leave entitlements
 - 1. Not on a fixed-term contract
 - 2. On a fixed-term contract
 - 3. Self-identified casuals
 - 4. With no leave entitlements and who did not identify as a casual
 - Owner-managers of incorporated enterprises
 - 5. Not on a contract
 - 6. On a contract
 - Owner-managers of unincorporated enterprises
 - 7. Not on a contract
 - 8. On a contract
-

Source: ABS Cat. no. 6361.0

The categories identified in table A.1 could be further decomposed. For example, employees who are on-hired by labour hire agencies can be engaged by the agency under many of the employment arrangements described in table A.1. These persons could be identified through a more detailed classification scheme. Different

categories of labour hire employees could then be grouped for an analysis of labour hire versus non-labour hire employees.

Note, it can be difficult to draw clear lines of distinction between the various arrangements under which Australians are employed. For example, the employment arrangements of some owner-managers closely resemble those of employees. One way of addressing this phenomenon is the creation of more detailed classifications of employment arrangements.

Descriptions of the employment arrangements referred to in this paper are presented in Box A.1.

Box A.1 Descriptions of employment arrangements referred to in this paper

Ongoing employees (employees with leave entitlements not on a fixed term contract)	Persons who work on an employment contract in someone else's business under the control of someone in that business, are entitled to paid holiday and sick leave, and who are not fixed-term employees.
Fixed-term employees (employees with leave entitlements on a fixed term contract)	Persons with similar terms and conditions to ongoing employees with the exception that they are employed for a specified period or for the duration of a specified task.
Casual employees (self-identified casuals)	Persons who work in someone else's business under the control of someone in that business, do not receive either paid holiday or sick leave and who identified themselves as employed on a casual basis.
Labour hire employee	A person engaged either as an ongoing, fixed-term or casual employee of a labour hire agency and on-hired by that agency under a commercial agreement to another business that then controls the conduct of the employee's work.
Other employed persons	Persons who work in someone else's business under the control of someone in that business, do not receive either paid holiday or sick leave and who did not identify themselves as employed on a casual basis.
Owner-managers	Persons who work in their own incorporated or unincorporated enterprises.
Self-employed contractors	Persons who work in their own incorporated or unincorporated business without employees and supply labour services to clients on an explicit or implicit commercial contract basis.

Source: Based on definitions in ABS Cat. no. 6359.0.

B Characteristics data

Table B.1 **Percentage of employees with leave entitlements working as ongoing and fixed-term employees by demographic and employment characteristics, August 1998**

	<i>Employees with leave entitlements</i>	
	<i>Ongoing</i>	<i>Fixed-term contract</i>
Gender and age characteristics	%	%
Male	96.7	3.3
Female	95.6	4.4
Aged		
15–19	90.5	9.5
20–29	95.9	4.1
30–39	96.2	3.8
40–49	96.7	3.3
50–59	97.2	2.8
60 and over	97.9	2.1
Other demographic characteristics	%	%
Married	96.7	3.3
With dependents	96.6	3.4
English speaking background migrant	95.1	4.1
Non-English speaking background migrant	97.4	2.6
State		
New South Wales	98.0	2.0
Victoria	95.7	4.3
Queensland	96.0	4.0
South Australia	95.1	4.9
Western Australia	94.1	5.9
Tasmania	93.7	6.3
Northern Territory	91.0	9.0
Australian Capital Territory	94.0	6.0
Worked outside State capital city	96.4	3.6

(Continued on next page)

Table B.1 (continued)

	<i>Employees with leave entitlements</i>	
	<i>Ongoing</i>	<i>Fixed-term employees</i>
Occupation	%	%
Managers and administrators	95.9	4.1
Professionals	92.3	7.7
Associate professionals	95.9	4.1
Tradespersons and related workers	97.2	2.8
Advanced clerical and service workers	96.4	3.6
Intermediate clerical, sales and services	96.9	3.1
Intermediate production and transport	98.8	1.2
Elementary clerical, sales and services	98.6	1.4
Labourers and related workers	98.6	1.4
Industry		
Agriculture, forestry and fishing	96.2	3.8
Mining	96.2	3.8
Manufacturing	98.8	1.2
Electricity, gas and water	97.7	2.3
Construction	97.5	2.5
Wholesale trade	98.8	1.2
Retail trade	99.2	0.8
Accommodation, cafes and restaurants	95.9	4.1
Transport and storage	98.1	1.9
Communication services	97.6	2.4
Finance and insurance	99.0	1.0
Property and business services	96.6	3.4
Government administration and defence	93.2	6.8
Education	87.7	12.3
Health and community services	94.1	5.9
Cultural and recreational services	93.4	6.6
Personal and other services	95.4	4.6
Worked in the public sector	92.3	7.7
Worked in the private sector	97.7	2.3

(Continued on next page)

Table B.1 (continued)

	<i>Employees with leave entitlements</i>	
	<i>Ongoing</i>	<i>Fixed-term contract</i>
Weekly earnings in main job (dollars)	%	%
less than 100	98.7	1.3
100–199	92.4	7.6
200–399	94.6	5.4
400–599	97.3	2.7
600–799	96.1	3.9
800–999	96.6	3.4
1000–1199	95.1	4.9
more than 1200	94.2	5.8
Tenure		
Less than 1 year	90.0	10.0
1–2 years	95.1	4.9
3–4 years	96.6	3.4
5–6 years	97.4	2.6
7–8 years	98.2	1.8
8–9 years	98.8	1.2
10 years or more	99.1	0.9
Hours worked in main job		
Less than 20	96.6	3.4
20–34	95.4	4.6
35–39	96.5	3.5
40	97.4	2.6
41–49	95.7	4.3
50–59	96.1	3.9
60 and over	93.9	6.1
Other employment characteristics		
Trade union member	97.5	2.5
Full time (in all jobs)	96.3	3.7
Satisfied with hours worked	94.7	5.3
All employees with leave entitlements	96.2	3.8

Source: Productivity Commission estimates derived from unpublished data from ABS Cat. no. 6359.0.

C Details of econometric analysis

A probit model was used to investigate how the probability of being a fixed-term employee varied according to an individual's characteristics (see box C.1 for a technical discussion of probit models). The results from this model are presented in table C.1. The impact of each characteristic was evaluated at the predicted probability and the results were expressed as the change in the probability of fixed-term employment relative to that of a reference group. The reference groups used for each characteristic are specified in table C.1. No particular significance should be attached to these groups. They merely provide a reference point for presenting the model results and do not change the conclusions about who is more likely to be a fixed-term employee.

Box C.1 Probit models

It is inappropriate to use the standard regression technique of ordinary least squares (OLS) when the variable being modelled can only equal zero or one (termed a binary dependent variable) and the probability of that variable being one is the issue of interest. This is because the underlying assumptions of OLS would be violated and the predicted probability of the dependent variable being equal to one could be negative or more than 100 per cent. In the probit model, the probability of the (binary) dependent variable being equal to one is specified as being a function of a cumulative standard normal distribution:

$$P(y_i = 1 | x_i) = \Phi(x_i\beta) = \int_{-\infty}^{x_i\beta} \frac{1}{\sqrt{2\pi}} e^{-\frac{t^2}{2}} dt$$

where y_i is the value of the (binary) dependent variable for the i th observation; x_i is a vector of characteristics for the i th observation; $P(y_i = 1 | x_i)$ is the probability that $y_i = 1$, given x_i ; β is a vector of parameters; $\Phi(x_i\beta)$ is the cumulative standard normal distribution of $(x_i\beta)$; and t is a standardised normal variable (mean of zero and variance of one). This formulation ensures that the predicted probability can not be less than zero or more than one.

The parameter associated with the j th characteristic (β_j) shows how the probit index ($x\beta$) would change if there was a unit increase in the j th characteristic. This can be difficult to interpret in practice because it is expressed in the normal quantile metric. A common approach is to translate the results into how each characteristic affects the probability ($\Phi(x\beta)$) for a given set of other characteristics.

Sources: Gujarati (1988); Long (1997); Stata Corporation (1999).

Table C.1 Probit marginal effects model

Dependent variable equals 1 for fixed-term contract employees and 0 for ongoing employees

	<i>Marginal effects</i>	<i>P> z </i>
Female	-0.0044	0.0470
Age (15–19 omitted category)		
20–29	-0.0271	0.0000
30–39	-0.0284	0.0000
40–49	-0.0320	0.0000
50–54	-0.0244	0.0000
Over 55	-0.0225	0.0000
State (New South Wales omitted category)		
Victoria	0.0219	0.0000
Queensland	0.0183	0.0000
South Australia	0.0317	0.0000
Western Australia	0.0285	0.0000
Tasmania	0.0452	0.0000
Northern Territory/ACT	0.0288	0.0000
Worked outside State capital city	0.0011	0.6540
Married	-0.0048	0.0530
Has dependents	-0.0015	0.5430
Born overseas in an English speaking country	0.0075	0.0300
Born overseas in a non-English speaking country	-0.0007	0.8250
Occupation (Managers omitted category) ^a		
Professionals	0.0033	0.4670
Associate Professionals	-0.0030	0.5150
Tradespersons and related workers	-0.0082	0.0640
Advanced clerical and service workers	-0.0054	0.3390
Intermediate clerical, sales and service workers	-0.0102	0.0110
Other low-skilled workers	-0.0145	0.0000
Industry of main job (Manufacturing omitted category) ^b		
Wholesale and retail trade	-0.0036	0.5520
Property and business and finance and insurance services	0.0149	0.0150
Government administration and defence	0.0385	0.0000
Education	0.0960	0.0000
Health and community services	0.0410	0.0000
Cultural and recreational and personal and other services	0.0526	0.0000
Personal and other services	0.0275	0.0020
Union member	-0.0196	0.0000
Public sector employee	0.0213	0.0000
Number of observations		16 658
Prob > χ^2		0.0000
Pseudo R ²		0.1591

^a The category 'Other low-skilled workers' includes Intermediate production and transport workers, Elementary clerical, sales and service workers and Labourers and related workers. ^b The category 'Other' includes Agriculture, forestry and fishing, Mining, Manufacturing, Electricity, gas and water, Construction, Accommodation, cafés and restaurants, Transport and storage and Communication services.

Source: Productivity Commission estimates derived from unpublished data from ABS Cat. no. 6359.0.

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